

Uch Kimyon
Director
Department of International Cooperation
Ministry of Commerce
65, St. 136, Phsar Kandal I, Phnom Penh

Tuesday, March 10, 2009

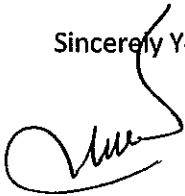
Stephane Guimbert
Task Team Leader/Economist
World Bank
113, Norodom Blvd., Phnom Penh

Dear Stephane Guimbert,

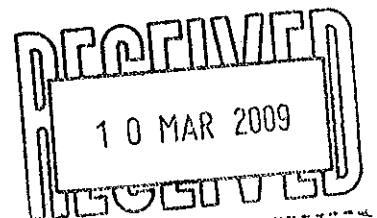
I am pleased to inform you that H.E. Pan Sorasak, Secretary of State of the Ministry of Commerce had signed the Good Governance Framework document to underline the government's commitment in the Trade Development Support Program. The document had previously gone through inspections from both the Ministry of Commerce and the World Bank and was found to be satisfactory. An original signed copy the document is attached with this letter herewith.

Please accept, Stephane Guimbert, assurances of my highest consideration.

Sincerely Yours,



Uch Kimyon



Annex 13: Good Governance Framework
CAMBODIA: Trade Development Support Program

GOOD GOVERNANCE FRAMEWORK APPLICABLE TO RECIPIENT-EXECUTED TF

	Issue	Action to Mitigate Risk	Responsibility	Target/Monitoring ¹
1	Element 1: Procurement			
1a	Ensure transparent and efficient procurement	<p>Unless otherwise agreed to between the RGC and the WB, the RGC shall use the services of an IPA engaged by MEF under TOR satisfactory to WB for all procurement funded from the TF, except procurement:</p> <p>(i) through direct contracting; (ii) from UN agencies; (iii) of goods estimated to cost less than US\$50,000 per contract, (iv) of works estimated to cost less than US\$100,000 per contract, (v) of consulting firms by Single Source Selection; (vi) of NGOs as consultants, and (vii) of individual consultants</p> <p>Procurement of contracts under items (i) to (vii) may be undertaken by MoC.</p> <p>For procurement undertaken by the IPA, MoC shall arrange for technical specifications and TORs to be prepared (see item 1b) and handed over to the IPA, which shall prepare bidding documents, call and evaluate bids, notify award, and have the contract agreement ready for review and signature by MoC.</p>	<p>IPA has commenced work.</p> <p>MoC</p>	<p>To be incorporated in Financing Agreement. Supervision of IPA by the RGC's Inter-Ministerial Procurement Committee (IPC). WB to monitor through quarterly portfolio review meetings, biannual procurement supervision missions and procurement prior and post reviews.</p> <p>WB to monitor through supervision missions and prior and post reviews.</p>
1b	Strengthen the design, delivery and contract administration capability of MoC.	MoC to engage consultants to assist on design, delivery and contract administration and train staff in the Department for International Cooperation of MoC and sub-national level staff. Training will include	MoC to prepare TOR with WB NOL.	Agree TOR during appraisal. IPA to start recruitment immediately thereafter, with consultants in place not later than one month after

¹ Unless an alternative target is given in this column, all mitigation measures will commence when Program activities begin and continue throughout the Program.

GOOD GOVERNANCE FRAMEWORK APPLICABLE TO RECIPIENT-EXECUTED TF

	Issue	Action to Mitigate Risk	Responsibility	Target/Monitoring ¹
		strengthening of MoC/DIC fiduciary responsibilities.		effectiveness. MoC to monitor their work and evaluate their performance every six months. WB to verify during supervision missions.
1c	Insufficient procurement capacity of MoC	<p>MoC to designate at least one Procurement Coordinator (national procurement consultant unless a qualified government staff is available) with WB procurement experience to coordinate and follow-up procurement activities between MoC, line agencies which have activities financed by the Program, the IPA, MEF and WB. In addition, an international procurement consultant will be engaged for 6 months to put in place effective procurement systems within MoC and capacity building of Government staff.</p> <p>Further training to strengthen procurement capacity of MoC staff to be supported under the Program and coordinated with the government's Public Finance Management Reform Program.</p>	<p>MoC. Consultants' TORs to be subject to WB NOL.</p> <p>MoC/MEF to coordinate procurement training under the Public Finance Management Reform Program. Training program to be agreed among MoC, MEF and WB.</p> <p>WB agrees to provide procurement orientation to IAs and line departments immediately after effectiveness.</p>	<p>Consultant(s) to be in place within 2 months after Effectiveness. MoC to monitor performance with six monthly reporting. WB to verify during supervision missions.</p>
1d	Clear procedures and thresholds needed.	IPA to be instructed to follow WB's Procurement and Consultant Guidelines and the procurement provisions of the Financing Agreement, including the use under NCB and Shopping methods the RGC's Manual on Standard Operating Procedures for Implementing Externally Assisted Projects (SOP) including the Externally Assisted Procurement Manual for Goods, Works and Services (SOP/PM), mandated by Sub-Decree No. 14 dated February 26, 2007.	MEF – included in IPA's TOR.	Supervision of IPA by the IPC. WB to monitor through supervision missions and quarterly review meetings among MEF, IPA and WB.

GOOD GOVERNANCE FRAMEWORK APPLICABLE TO RECIPIENT-EXECUTED TF

	Issue	Action to Mitigate Risk	Responsibility	Target/Monitoring ¹
1e	Informal payments by contractors suppliers and consultants	<p>All contractors, suppliers and consultants – firms or individuals, national and international – bidding for contracts under the Program shall sign the Declaration on Ethical Conduct and Fraud and Corruption as articulated in the SOP/PM. Item 5 of the Declaration will be extended to read:</p> <p>“In connection with this procurement exercise and any contract that is awarded to us as a result thereof, no payments have been made or will be made by us, our associates, agents, shareholders, partners or their relatives or associates to any of the staff, associates, consultants, employees or relatives of such who are involved with the procurement process, contract implementation, and the issuance of progress payments on behalf of the purchaser, client or employer.”</p> <p>Include amended Declaration in all bidding documents, RFPs, and contracts.</p>	IPA through MEF instruction for procurement carried out by the IPA. MoC for procurement that it carries out under item 1.a.	MoC to monitor. WB to verify during prior and bi-annual post reviews.
1f	Inadequate or delayed Procurement Plans	Preparation of realistic annual Procurement Plan for goods, works and consultant services to be financed from the TF designated account, based on the AOP.	MoC with IPA support and WB NOL.	First 18-month Procurement Plan to be agreed at Appraisal. MoC to submit annual revisions, with preliminary estimates of expenditure to MEF annually in June (for MEF budget preparation), preliminary updated plan by September, and final updated plan by December.
2	Element 2: Financial Management			
2a	Weakness in MoC FM capacity.	A Financial Advisor will be appointed under TOR acceptable to the WB, to assist MoC to implement the Program and train MoC FM staff. Functions of the Financial Advisor will include installation and ensuring functioning of the accounting system and controls, training, mentoring and oversight of MoC financial management staff.	<p>MoC to prepare TOR with WB NOL.</p> <p>IPA to recruit with WB NOL.</p>	Agree TOR during appraisal. IPA to commence recruitment immediately thereafter and Financial Advisor to be in place by effectiveness.

GOOD GOVERNANCE FRAMEWORK APPLICABLE TO RECIPIENT-EXECUTED TF

	Issue	Action to Mitigate Risk	Responsibility	Target/Monitoring ¹
2b	Need to upgrade accounting systems in DIC/MoC.	DIC/MoC will install a computerized accounting system with appropriate software to be identified and a chart of accounts to be developed specifically for the Program, under guidance from the existing FM consultant on the MoC's Trade Facilitation and Competitiveness Project (TFCP).	MoC to select and install appropriate software satisfactory to WB, with TFCP consultant's guidance.	Select software during appraisal. Install and train DIC staff to operate by one month after effectiveness. MoC to monitor correct application and IDA to verify during FM supervision missions.
2c	Weak internal controls.	Adopt SOP/FMM already mandated by Sub-Decree No. 14 dated February 26, 2007. Supplement by detailed procedures in a Program specific FM Manual, which shall include controls of 'soft expenditures' i.e. those related to training and workshops such as: fuel, per diems, accommodation, travel/transportation, stationary and maintenance costs, until such time as MEF issues guidelines to all line agencies (see item 2i).	MoC. WB NOL to Program specific FM Manual.	Note in Financing Agreement, Program FM Manual satisfactory to WB to be completed by effectiveness. MEF and WB to monitor adoption of SOP/FMM and WB FM supervision missions to verify compliance with Program specific FM Manual.
2d	Clarity of FM reporting to WB.	Formulate and agree on a template for quarterly Interim Financial Reports (IFRs), to be furnished by MoC to the WB not later than 30 days after the end of each quarter.	MoC with WB agreement to template.	Agree on the IFR format and content by appraisal. MoC to ensure timely and satisfactory quality of each report and timely submission. IDA to monitor during review of IFRs.
2e	Strengthen Internal Audit Department (IAD) of MoC	MoC will appoint an Internal Audit Advisor to assist the IAD in formulating its strategic plan; a risk based annual plan; and provide on the job-training to build the capacity of the internal audit staff.	MoC to prepare TOR with WB NOL. IPA to recruit with WB NOL.	Agree TOR by appraisal. IPA to commence recruitment immediately thereafter, with Advisor in place three months after effectiveness.
2f	External audit.	An independent auditor acceptable to WB will be appointed to carry out an annual audit of Program financial statements and effectiveness of internal controls, in accordance with TOR satisfactory to WB.	TOR satisfactory to WB already agreed. MEF to recruit external auditor through bundling with other projects.	MEF to complete recruitment of external auditor who should be in place six months prior to due date of first annual audit.
2g	Minimize cash transactions	All progress payments to contractors, suppliers and consultants – firms, individuals, national and international – to be made by check or transfer to bank accounts. Each cash transaction not to exceed US\$500 limit as per SOP/PM. Retain evidence for audit and WB supervision missions.	MoC	Note in financing agreement. MoC to monitor as part of the scope of internal and external audits. WB to verify during FM supervision missions.
2h	Eliminate inconsistencies in allowances paid to Government	Adopt DSA rates in Anukret 10 of April 12, 2004, updated in respect of DSA rates for in-country travel	MEF/WB to discuss and agree standard DSA for	Rates to be agreed by August 2009. Until then, for international travel,

GOOD GOVERNANCE FRAMEWORK APPLICABLE TO RECIPIENT-EXECUTED TF

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	staff attending training, workshops and study tours.	by MEF Decision Letter No. 2000 dated April 23, 2007. For international travel, some DSA rates specified in Anukret 10 are position-based and/or higher than UN norms, and are not acceptable to WB for application on WB-financed projects. In such cases, WB will apply a ceiling for reimbursement equivalent to its own rates in use at the time of travel.	international travel, after which MEF to advise MoC.	MoC may use WB rates. WB to monitor through FM supervision missions.
2i	Planning of training, workshops and study tours.	<p>Establish Annual Training and Workshop Plan as part of the Annual Operational Plan (but discretely identifiable) to be endorsed by WB together with AOP endorsement. MoC will review regularly and update biannually. Plan should include:</p> <ol style="list-style-type: none"> 1. Detailed costs estimates. 2. Eligibility rules for attending training, workshops and study tours. Attendees must: <ul style="list-style-type: none"> • be engaged in work relevant to the training; • be competent in the language used; • after return, report on and share their experiences for the benefit of the Program. 3. Evidence that training, workshops, study tours and other similar activities: <ul style="list-style-type: none"> • are in line with Program aims and objectives; • meet identified needs within the sub-component plans; • have budget in line with planned expenditure. <p>Cost guidelines to be established for selected training/workshop activities:</p> <ul style="list-style-type: none"> • venue rental with refreshments/meals; • sound and projection equipment hire; • stationery/hand-outs ; • Program-specific training and workshop materials; • simultaneous translators; 	<p>MoC, which should follow Working Group guidelines when issued (see below). Subject to WB NOL.</p> <p>Working group comprising MEF, IAs of all projects and WB.</p>	<p>Submit first Plan to WB by 3 months after effectiveness. Thereafter annually along with AOP, with biannual updates submitted together with IFRs.</p> <p>MEF to establish working group by August 2008. Issue directive to all WB-funded projects by October 2008.</p>

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	Issue	Action to Mitigate Risk	Responsibility	Target/Monitoring ¹
		<ul style="list-style-type: none"> • photocopying, reproduction, translation. <p>Define evidence to be submitted by attendees for reimbursement of expenses which may include:</p> <ul style="list-style-type: none"> • proof of attendance for period claimed with signed statement by the workshop, training or study tour organizer or host; • proof of travel by air – ticket stubs, travel agent’s receipt, airline boarding passes; • receipted hotel bills (for proof of stay); • receipts for incidental traveling expenses; receipted invoices for venue rental, food and beverage, sound/projection equipment, hire of simultaneous translator, stationery and handouts, use of photocopying facilities. <p>Reimburse against receipts except where covered by fixed allowances in MEF’s letter No. 2000.</p> <p>Evidence of payment to be kept for attendees’ per diem and allowances.</p>	<p>Working group to define evidence and include in directive. MoC to ensure compliance.</p> <p>MoC</p> <p>MoC</p>	<p>Directive issued by January 2009. WB to monitor SOEs with withdrawal applications.</p> <p>WB to monitor SOEs with withdrawal applications.</p> <p>WB to verify during FM supervision missions.</p>
2j	Delayed or non-existent reconciliation of advances for operating costs and expenses	The Program will maintain an advances register, as well as vehicle log books and fuel registers. Advances of operating expenses to staff or field offices to be reconciled within two weeks of the end of each month. No further advances to be paid to staff or field offices until the previous advance to those staff or offices has been reconciled and cleared against documentary evidence.	MoC	WB to verify compliance during FM supervision missions
2k	MoC to adopt the MBPI	MEF and MoC agree that MoC will adopt RGC’s MBPI. The MBPI will be implemented strictly according to an MBPI Manual to be prepared for the Program.	MoC to complete the Program-specific MBPI Manual for MEF and WB approval.	Cost sharing basis to be specified in the Financing Agreement. Manual to be approved before first disbursement of MBPI funds. MoC to monitor application, WB to verify during FM supervision missions.

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3	Element 3: Disclosure			
3a	Minimize conflict of interest among Program staff	Program staff to disclose private and public affiliations or personal interests before becoming involved in any Program-related transaction or contract award decision.	MoC Program Director to request and retain written disclosures.	WB to monitor during supervision missions.
3b	Enhance transparency through greater public disclosure of Program information	<p>Agree on information to be disclosed on MEF and MoC websites biannually, with hard copies available for public inspection on request, at locations to be agreed. At a minimum, disclosed information should include:</p> <ul style="list-style-type: none"> • Program name, objectives, original and revised amount, sources of funding, effectiveness date, original closing date, revised closing date, number of extensions, name and address of implementing agency, name of Program Director with contact information, name of WB TTL and contact information in the MEF-WB unit and in the WB Office in Cambodia. • Details of Program components, percentage completion, data on performance indicators. • AOPs, and procurement plans excluding cost estimates, identifying contracts to be procured in the next 12 months, nature of each contract, location, method of procurement, means of advertisement, bidding period, location where bidding documents and RFPs can be inspected, expected date of availability, and cost of bidding documents. • Consultant long and short lists. • Bidding documents and RFPs available for inspection. • Bid closing dates, names of bidders and their bid prices at opening. • List and detail of contracts awarded, names of losing bidders and, if their bid prices were lower 	<p>MoC and WB to agree final list and locations for public inspection of hard copies.</p> <p>MoC to arrange disclosure. IPA may disclose procurement information when MEF website upgrading is completed in early 2009.</p>	<p>Agree by three months after Effectiveness.</p> <p>Biannually. WB to verify during supervision missions.</p>

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		<p>than the winning bidder, the reason for their rejection.</p> <ul style="list-style-type: none"> • Program biannual progress reports • Planned and actual disbursements by sub-component. • Annual financial statements and audit opinion. • Other specific reports prepared by the Program. • Complaint handling and remedies mechanism. • Code of ethical conduct signed by all staff. 		
4	Element 4: Civil Society Role			
4a	Provide for greater involvement by Civil Society Organizations (CSOs) to enhance transparency.	<p>Identify appropriate CSOs (private sectors/ association representatives) to witness selected aspects of Program implementation. Invite representatives to attend selected events as observers, such as:</p> <ul style="list-style-type: none"> • bid openings • contract signings • information and skill sharing sessions • Program progress meetings • hand over ceremonies for Program facilities other events as identified and agreed by MoC and WB • Representatives of private sectors and associations to participate in the meeting of sub-steering committee of Trade Development and Trade-Related Investment <p>Summarize all major CSO involvement in Program biannual progress reports to WB and copied to MEF</p>	<p>MoC to select CSOs and obtain MEF concurrence.</p> <p>IPA/MoC. MoC and WB to agree events to be witnessed by CSOs.</p> <p>MoC</p>	<p>MEF to provide MOC with concurrence to CSO not later than one month after Effectiveness.</p> <p>Agree list of events one month after Effectiveness. Observation to begin immediately thereafter. WB to monitor CSO involvement through review of quarterly progress reports and supervision missions.</p> <p>WB to verify satisfactory level of involvement of CSOs during supervision missions.</p>
5	Element 5: Complaint Handling and Remedy Mechanism			
5a	Formal complaints handling and remedy mechanism covering all aspects of the Program.	Design and adopt a mechanism able to address complaints received on all Program components and sub-components and propose remedies. Subject to WB concurrence, MoC may adopt complaints and remedies mechanism used for TFCP.	MoC with WB NOL.	Design and adopt mechanism by three months after Effectiveness. WB to monitor adoption during supervision missions

GOOD GOVERNANCE FRAMEWORK APPLICABLE TO RECIPIENT-EXECUTED TF

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		Complaints handling procedures regarding procurement to follow process as set out in the PM.	IPA/MoC	WB to monitor during prior or post reviews.
6	Element 6: Code of Ethical Conduct			
6a	Program staff must to adhere to the Government's code of ethical conduct for civil servants.	MOC to disseminate widely the relevant sections on code of ethical conduct contained in the Common Statute for Civil Servants 1994.	MoC with a copy to WB.	Disseminate by one month after Effectiveness. WB to verify adoption during supervision missions.
7	Element 7: Sanctions			
7a	Need to reinforce the Code of Ethical Conduct with sanctions for fraudulent and corrupt activity by Program staff, contractors, suppliers and consultants.	The sanctions defined in the Civil Service Code of 1994 will be applicable to all Program staff. Sanctions against contractors, suppliers and consultants will be those defined in Section 3 of the SOP/PM. WB to apply sanctions available in its general and project-specific legal agreements, including the WB Group's Anti-Corruption Guidelines (ACG) and Sanctions Regime issued in October 2006 and as may be updated subsequently.	MoC to disseminate sanctions with Code of Ethical Conduct. WB to provide MOC a copy of its ACG and Sanctions Regime.	Disseminate sanctions along with the Code of Ethical Conduct by three months after Effectiveness. During appraisal. WB may apply sanctions whenever evidence is found.
8	Element 8: Program Specific Elements			
8a	Maintaining controls over expenditures by other agencies in year 2 onwards.	Detailed AOPs will be prepared by MoC and other agencies requesting funding under the TDSP, and will include good governance measures applicable to each tranche of funding to agencies other than MOC which are not specifically covered in this GGF. No funds will be disbursed until each year's AOP has been approved by MoC, MEF and WB.	MoC will coordinate preparation of AOPs and their joint appraisal with WB prior to adoption.	AOPs will be synchronized and coordinated with the RGC's annual budget process, with final agreement of MoC, MEF and WB annually in December.

ABBREVIATIONS

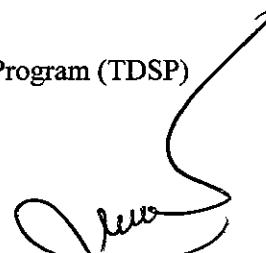
ACG	Anti-Corruption Guidelines (of the WB Group)	NGO	Non Government Organization
AOP	Annual Operational Plan	NOL	No Objection Letter
CSO	Civil Society Organization	PM	Procurement Manual (for Externally Assisted Projects)

FM	Financial Management	QPPR	Quarterly Portfolio Performance Review
IAS	International Accounting Standards	RGC	Royal Government of Cambodia
IAD	Internal Audit Department (of MOC)	SOE	Statement of Expenses
IFR	Interim Financial Reports	SOP	Standard Operating Procedures (for Externally Assisted Projects)
IPA	International Procurement Agent	TDSP	Trade Development Support Program
MBPI	Merit Based Pay Initiative	TTL	Task Team Leader
MEF	Ministry of Economy and Finance	WB	World Bank
MoC	Ministry of Commerce		

Read and agreed by the management of the Trade Development Support Program (TDSP)



Pan Sorasak
Secretary of State
Ministry of Commerce
Chairman of Implementing Committee
Trade Development Support Program (TDSP)



Uch Kimyon
Director of Department of International Cooperation (DICO)
and Director of the Trade Development Support Program (TDSP)

EFFECTIVE DATE: .../4/.....MARCH 2009